

First Quarterly Report 2023

Incorporated in the Cayman Islands with limited liability
Stock Code: 8391



To Give Positive Environmental Impact

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This report, for which the directors (the “Directors”, each a “Director”) of Cornerstone Technologies Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2023, together with the comparative unaudited figures for the corresponding period in 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2023

	Note	Three months ended 31 March	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	12,457	11,716
Cost of services		(14,128)	(13,484)
Gross loss		(1,671)	(1,768)
Other income	4	679	134
Selling expenses		(905)	(410)
Administrative and other operating expenses		(20,238)	(17,670)
Share-based payment expenses		(7,435)	(492)
Research and development expenses		(281)	(270)
Finance costs	5	(731)	(659)
Loss before tax	6	(30,582)	(21,135)
Income tax credit	7	37	218
Loss and total comprehensive expense for the period		(30,545)	(20,917)

	Three months ended	
	31 March	
	2023	2022
	HK\$'000	HK\$'000
<i>Note</i>	(Unaudited)	(Unaudited)
Loss and total comprehensive expense		
for the period attributable to:		
Owners of the Company	(29,996)	(20,648)
Non-controlling interests	(549)	(269)
	(30,545)	(20,917)
	HK cents	HK cents
Loss per share attributable to owners		
of the Company		
Basic and diluted	<i>8</i> (3.93)	(3.40)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023

	Attributable to owners of the Company							
	Reserves					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Share-based				
				payments reserve	Accumulated losses	Total	interests	equity
HK\$'000	HK\$'000 (Note i)	HK\$'000 (Note ii)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2022 (Audited)	6,078	122,157	17,802	8,048	(91,782)	62,303	(635)	61,668
Change in equity for the three months ended 31 March 2022:								
Recognition of equity-settled share-based payment	-	-	-	492	-	492	-	492
Loss and total comprehensive expense for the period	-	-	-	-	(20,648)	(20,648)	(269)	(20,917)
At 31 March 2022 (Unaudited)	6,078	122,157	17,802	8,540	(112,430)	42,147	(904)	41,243
At 1 January 2023 (Audited)	7,370	203,587	17,802	75,736	(252,093)	52,402	(1,511)	50,891
Change in equity for the three months ended 31 March 2023:								
Issue of shares pursuant to the exercise of warrant (Note iii)	320	15,680	-	-	-	16,000	-	16,000
Issue of shares pursuant to the share subscription (Note iv)	200	12,200	-	-	-	12,400	-	12,400
Issue of shares pursuant to the share option scheme (Note 9)	-*	39	-	(14)	-	25	-	25
Recognition of equity-settled share-based payment	-	-	-	7,435	-	7,435	-	7,435
Loss and total comprehensive expense for the period	-	-	-	-	(29,996)	(29,996)	(549)	(30,545)
At 31 March 2023 (Unaudited)	7,890	231,506	17,802	83,157	(282,089)	58,266	(2,060)	56,206

* Represents amount less than HK\$1,000

Notes:

- (i) Share premium represents the excess of the net proceeds from issuance of the Company's share over its par value. Under the laws of the Cayman Islands and the Company's Articles of Association, it is distributable to the Company's shareholders provided that the Company is able to pay its debts as they fall due in the ordinary course of business.
- (ii) Capital reserve represents the aggregate amount of the issued share capital of the entities now comprising the Group less consideration paid to acquire the relevant interests (if any) in relation to the group reorganisation.
- (iii) On 5 January 2023 and 3 March 2023, 16,000,000 warrant shares and 16,000,000 warrant shares were issued and allotted respectively to Steady Flake Limited at the subscription price of HK\$0.50 per subscription share pursuant to the terms and conditions of the warrant subscription agreement.
- (iv) On 6 March 2023, 20,000,000 subscription shares were issued and allotted to Ms. Wu Yanyan, an executive Director, at the subscription price of HK\$0.62 per subscription share pursuant to the terms and conditions of the subscription agreement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 24 January 2017. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by way of placing and public offer on 11 May 2018. The registered office of the Company is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business is situated at Office Units 1107-11, 11th Floor, New East Ocean Centre, No. 9 Science Museum Road, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of printing, typesetting and translation services, and electric vehicle charging business in Hong Kong.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is also the primary functional currency of the Company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's unaudited condensed consolidated results for the three months ended 31 March 2023 have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in preparing the annual financial statements for the year ended 31 December 2022, except for the new and revised HKFRSs issued by the HKICPA that are effective for the current accounting period of the Group. The adoption of these new and revised HKFRSs has had no material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2023 have not been audited by the Company's auditors but have been reviewed by the audit committee of the Company (the "Audit Committee").

3. REVENUE

An analysis of the Group's revenue from contracts with customers for the periods indicated is as follows:

	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Printing business		
Commercial printing services	2,544	5,355
Financial printing services	2,167	2,419
Other services (Note)	157	366
	4,868	8,140
Electric vehicle charging business		
Sales of electric vehicle charging systems	3,797	3,436
Subscription fee income	773	140
Provision of installation service income	2,889	-
Maintenance fee income	130	-
	7,589	3,576
Total	12,457	11,716

Note: Other services included ad hoc design and artwork, and/or translation services, etc.

4. OTHER INCOME

	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	44	59
Subsidy from Technology Voucher Programme	322	-
Subsidy from Green Employment Scheme:		
Graduates Subsidy Programme 2022	22	-
Reimbursement under the Reimbursement of		
Maternity Leave Pay Scheme	80	-
Sundry income	211	75
	679	134

5. FINANCE COSTS

	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	167	8
Interest on lease liabilities	564	651
	731	659

6. LOSS BEFORE TAX

This is stated after charging (crediting):

	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs (including directors' emoluments)		
– Salaries and other benefits	17,825	15,480
– Contributions to defined contribution plans	560	460
– Share-based payment expenses	7,064	492
Total staff costs	25,449	16,432
Auditor's remuneration	216	205
Cost of inventories (<i>Note</i>)	14,128	13,484
Depreciation of property, plant and equipment	1,217	1,350
Depreciation of right-of-use assets	1,963	4,134
Amortisation of other intangible assets	576	302
Exchange (gain) loss, net	(2)	5
Share-based payment expenses (non-employee related)	371	–

Note:

During the three months ended 31 March 2023, cost of inventories included approximately HK\$5.6 million (2022: approximately HK\$7.3 million) relating to the aggregate amount of certain staff costs, depreciation of property, plant and equipment and right-of-use assets and operating lease charges, which were included in the respective amounts as disclosed above.

7. INCOME TAX CREDIT

	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong Profits Tax:		
Provision for the period	-	-
Deferred taxation	(37)	(218)
	(37)	(218)

The Group's entities established in the Cayman Islands and the British Virgin Islands are exempted from income tax of the jurisdiction, respectively.

Under the two-tiered profits tax rates regime, Hong Kong Profits Tax is calculated at the rate of 8.25% on the first HK\$2 million of the estimated assessable profits of the qualifying group entity and 16.5% on the remaining amount of the estimated assessable profits for the three months ended 31 March 2023. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2022: 16.5%).

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributed to the owners of the Company is based on the following data:

	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Loss:</i>		
Loss for the purpose of calculating basic and diluted loss per share (loss for the period attributable to owners of the Company)	(29,996)	(20,648)
	'000	'000
	(Unaudited)	(Unaudited)
<i>Number of shares:</i>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	763,277	607,791

Diluted loss per share for the three months ended 31 March 2023 and 2022 is the same as the basic loss per share as the share options of the Company outstanding as at 31 March 2023 had an anti-dilutive effect on the basic loss per share.

9. SHARE-BASED PAYMENT TRANSACTION

Pursuant to the share option scheme adopted by the Company on 19 April 2018 (the “Share Option Scheme”), 88,628,000 share options had been granted to eligible participants of the Group as of 31 March 2023. As at 31 March 2023, the number of share options outstanding was 80,952,000.

A summary of movements in the Company’s share options for the three months ended 31 March 2023 is as follows:

	Number of share options
Outstanding as at 1 January 2023	81,100,000
Granted during the period	-
Exercised during the period	(48,000)
Cancelled during the period	-
Lapsed during the period	(100,000)
	<hr/>
Outstanding as at 31 March 2023	80,952,000

The equity-settled share-based payments relating to share options granted by the Company, amounted to approximately HK\$7,435,000 (2022: approximately HK\$492,000), were charged to profit or loss during the three months ended 31 March 2023.

10. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2023 (2022: nil).

11. EVENTS AFTER THE REPORTING PERIOD

The Group has no significant events subsequent to 31 March 2023 and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Electric vehicle charging business

In line with global trends, the electric vehicle (“EV”) charging industry is growing at a tremendous pace in Hong Kong as well as in many other Asian countries, reflecting the growing popularity of EVs among consumers in these regions. In recent years, automakers have been investing heavily in EV technology, and have been introducing a wide variety of EV models to target and satisfy the diverse appetite of consumers.

We might refresh our memory that, in 2022, Hong Kong's adoption rate of EVs recorded an historic high in terms of sales, with more than half of all newly registered cars being electric. The Hong Kong government plays an important role and has been accelerating the growth of the industry by introducing various policies to support EV adoption.

In the first quarter of 2023, the trend of EV adoption increase has continued. According to public statistics, at the end of March 2023 there were in total 51,998 EV private cars licensed in Hong Kong, representing 8.96% of licensed private cars of all fuel types. This compares to 5.14% at the end of March 2022, when there were only 29,347. This means both the number and the proportion of EVs has grown by 1.8 and 1.7 times respectively amongst private cars, over the last twelve months. For reference, licensed electric vehicles other than cars (for example buses and taxis) totalled 448 at the end of March 2022, summing to 29,795 overall.

If we look at the private car first registration figures, the number of newly registered EVs during the first 3 months has almost doubled as compared with the same period in 2022; 6,385 EV private cars made first registration in the first 3 months of 2023, compared with 3,234 during the same period in 2022. This translates to approximately 63.2% and 46.2% respectively of newly-registered private cars being EVs in the first 3 months of 2023 and same period in 2022. This evidently shows that, EVs are growing at an accelerated rate in Hong Kong's private cars market.

For reference, during the single month of March 2023, there were in total 3,678 newly registered private cars; out of which, 2,251 or 61.2% were EVs.

Moreover, according to the Environmental Protection Department (“EPD”) of the Hong Kong government, as at the end of March 2023, there were 5,775 EV chargers for public use including 3,307 medium chargers in Hong Kong and 1,015 quick chargers in Hong Kong, covering all 18 districts; while as at the end of March 2022, there were 4,852 EV chargers for public use including 2,571 medium chargers in Hong Kong and 857 quick chargers in Hong Kong, covering all 18 districts. The total number of EV chargers for public use increased by 923 year-on-year.

The ratio of EV chargers for public use to the total number of EVs was approximately 1:9, as at the end of March 2023, compared to approximately 1:6, as at the end of March 2022. The widened gap appears to signify a demand of catch-up to be fulfilled.

According to EPD’s EV promotion policy, the public charging network mainly serves as supplementary charging facilities, enabling EVs to top up their batteries to complete their journeys when necessary. EPD encourages, in general, that EV owners should charge their EVs by using charging facilities at their workplace, home or other suitable places, which are all important services that Cornerstone provides.

Regarding Cornerstone’s involvement in the EV-charging at Home Subsidy Scheme (“EHSS”) in Hong Kong, Cornerstone is one of the leading bidders of government tenders. Cornerstone was awarded four EHSS projects in the first quarter of 2023, with an expected construction time of around two to three months. The EHSS is a scheme rolled out and backed by the Hong Kong Government for HK\$3.5 billion in total to subsidise the installation of EV charging-enabling infrastructure in car parks of existing private residential buildings in Hong Kong, in order to facilitate EV owners to install EV chargers at car parks of their residences.

So, Cornerstone derived installation service income from the owners of older private residential buildings who got subsidy from government scheme, and Cornerstone derived income from setting up charging infrastructure also for other parking site owners related to other residential estates and non-residential places. After installation, Cornerstone also received income for maintenance.

Moreover, Cornerstone derived income from usage by vehicle-drivers subscribed to our monthly plans.

As at 31 March 2023, there were a total of 325 subscribers under Cornerstone HOME compared to 37 subscribers as at 31 March 2022, representing an increase of 778%.

Until the end of March 2023, Cornerstone GO has accumulated a total membership of 8,119 users, representing an increase of 7,442 members, from until the end of March 2022.

During the first quarter of 2023, Cornerstone successfully commissioned its first charging station in Bangkok, Thailand. During the period, the Group also further expanded its presence into Australia and Singapore where the EV market is also expanding rapidly, and therefore opportunities emerged for Cornerstone to tap into the EV charging market in these regions.

In the first three months ended 31 March 2023, Revenue amounted to HK\$7.6 million, representing an increase of 112% compared with the same period in 2022, driven by an increase in each revenue segment under the Electric vehicle charging business, specifically from subscription fee income and revenue from EHSS projects. Gross profit was up 240%; Gross profit margin widened to 18.4%, from 11.5% mainly due to an increase in higher margin sales of EV charging systems during the period.

Printing business

During the Period, in financial printing and communications sector, we actively responded to the adverse impact of the COVID-19 pandemic and keen competition, reasonably to diversify service spectrum including investor relations and ESG marketing and actively organise or co-organise professional seminars and marketing events in order to enhance brand awareness. A brand new and spacious office started to use in June 2022, aim to provide extraordinary experience to clients.

OUTLOOK

Given the encouraging statistics of EVs in Hong Kong, we re-iterate our view stated in Cornerstone's recently published 2022 annual report that EV sales in Hong Kong will likely continue surging due to a combination of policy support, improvements in battery technology, increasingly-compelling new models from car brands from all over the world, and better charging infrastructure to be enabled by entities such as our Group.

In the Hong Kong market, since the number of available chargers per electric private cars in the market as a whole had a low base compared to other developed economies, we believe that there is a lot of future business potential for Cornerstone in the catch-up. We also believe there are a lot of long term opportunities to explore in the other segments of road transport, including buses, taxis, minibuses, trucks and coaches. While the Group will continue to focus resources on getting EV charging systems installed in residential car parks all around Hong Kong, the Group will continue its good momentum in non-residential parking spaces, selectively engage in public charging, and to target later in 2023 a pilot run of the recently-launched segment Cornerstone BUSINESS, principally engaged in fleet leasing.

Outside of Hong Kong, in addition to the regions where we have established presence, i.e. Thailand, Cambodia, Indonesia, Malaysia, Australia, Singapore, we have also been actively seeking opportunities in Japan and Macau. We will continue to identify regions with high potential and establish local partnerships to expand our geographic outreach.

Overall, in Hong Kong as well as in other regions, we will continue to optimize our various existing commercial models of revenue generation, from service provision for parking sites to usage by pay-as-you-go or fixed-period-subscription methods. We will bring alive a mix of home, workplace, mall and public chargers. We believe that as the EV market continues to expand and drivers increasingly make the switch from petrol cars to EVs, a sizeable market will continue to develop for the EV charging industry and Cornerstone will continue to capture these opportunities as an important service provider in this industry. We will continue to enhance our platform's user experience and contribute to the global effort of tackling climate change.

FINANCIAL REVIEW

Revenue

During the three months ended 31 March 2023 (the “Period”), we generate revenue from the provision of printing services in Hong Kong which are classified into (i) commercial printing services; (ii) financial printing services; and (iii) other services. Commercial printing services refers to printing services for our customers’ needs of commercial paper printing products and the book publisher’s needs of textbooks and leisure reading materials (such as novels, essays and articles). Financial printing services range from designing the cover, layout and artwork of the document, typesetting, translation, uploading, printing, and/or distribution services for listing applicants in respect of listing on the Stock Exchange and listed companies on the Stock Exchange pursuant to the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) or the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”). Other services primarily comprise standalone ad hoc design and/or translation work ordered by corporate customers (which is not related to listing matters) on a case-by-case basis. During the Period, revenue is also generated from electric vehicle charging business, which can be classified into (i) sales of electric vehicle charging systems to customers directly; (ii) subscription fee income of the charging revenue of electric vehicles at public and private car parks; (iii) provision of installation service income for installation of electric vehicle charging-enabling infrastructure; and (iv) maintenance fee income for provision of maintenance services on electric vehicle chargers.

The following table sets forth a breakdown of our revenue by service categories for the periods indicated.

	Three months ended	
	31 March	
	2023	2022
	HK\$'000	<i>HK\$'000</i>
Commercial printing services	2,544	5,355
Financial printing services	2,167	2,419
Other services	157	366
	<hr/>	
Printing business	4,868	8,140
	<hr/>	
Sales of electric vehicle charging systems	3,797	3,436
Subscription fee income	773	140
Provision of installation service income	2,889	-
Maintenance fee income	130	-
	<hr/>	
Electric vehicle charging business	7,589	3,576
	<hr/>	
Total	12,457	11,716

Our revenue increased by approximately HK\$741,000 or 6.3%, from approximately HK\$11.7 million for the three months ended 31 March 2022 to approximately HK\$12.5 million for the Period. As illustrated in the table above, such increase was mainly driven by the electric vehicle charging business, specifically due to an increase in revenue from provision of installation service income of approximately HK\$2.9 million and subscription fee income of approximately HK\$633,000. The increase in revenue was partially offset by the printing business, specifically a decrease in revenue from commercial printing services of approximately HK\$2.8 million.

Printing business

Commercial printing services

Revenue from commercial printing services decreased by approximately 53.7%, from approximately HK\$5.4 million for the three months ended 31 March 2022 to approximately HK\$2.5 million for the Period. Such decrease was mainly attributable to a decrease in the number of customers during the Period.

Financial printing services

Revenue from financial printing services decreased by approximately 8.3%, from approximately HK\$2.4 million for the three months ended 31 March 2022 to approximately HK\$2.2 million for the Period. Such decrease was mainly attributable to a decrease in revenue from printing of financial reporting documents and compliance documents resulting from a decrease in the number of corporate transactions of our customers.

Other services

Revenue from other services decreased by approximately 57.1%, from approximately HK\$366,000 for the three months ended 31 March 2022 to approximately HK\$157,000 for the Period, resulting from the decrease in income from ad hoc design and artwork services.

Electric vehicle charging business

Sales of electric vehicle charging systems

Revenue from sales of electric vehicle charging systems increased by approximately 11.8%, from approximately HK\$3.4 million for the three months ended 31 March 2022 to approximately HK\$3.8 million for the Period. Such increase was mainly attributable to an increase in the number of customers and an increase in the sales orders for supply and installation of electric vehicle chargers from existing customers.

Subscription fee income

Revenue from subscription fee income increased from approximately HK\$140,000 for the three months ended 31 March 2022 to approximately HK\$773,000 for the Period. Such increase was primarily attributable to an increase in the number of users under its public membership and private subscription plans during the Period as compared to the three months ended 31 March 2022.

Provision of installation service income

The Group recorded a revenue of approximately HK\$2.9 million for the Period (2022: nil) from provision of installation services for project of electric vehicle charging-enabling infrastructure awarded under EHSS.

Maintenance fee income

The Group recorded a revenue of approximately HK\$130,000 for the Period (2022: nil) from provision of maintenance services on electric vehicle chargers installed.

Cost of services

Our cost of services mainly comprises direct labour cost, cost of raw materials, depreciation, electricity and water and production overheads.

Cost of services in relation to the printing business decreased by approximately 23.3%, from approximately HK\$10.3 million for the three months ended 31 March 2022 to approximately HK\$7.9 million for the Period. Such decrease was not proportionate to the decrease in revenue from the printing business during the Period as some costs like labour, printing materials and paper have generally increased.

Cost of services in relation to the electric vehicle charging business increased by approximately 93.8%, from approximately HK\$3.2 million for the three months ended 31 March 2022 to approximately HK\$6.2 million for the Period. Such increase was generally in line with the increase in revenue from the electric vehicle charging business during the Period.

Gross (loss) profit and gross (loss) profit margin

The following table sets forth a breakdown of the Group's gross (loss) profit and gross (loss) profit margin for the periods indicated:

	Three months ended 31 March 2023		
	Printing business HK\$'000	Electric vehicle charging business HK\$'000	Total HK\$'000
Revenue	4,868	7,589	12,457
Cost of services	(7,934)	(6,194)	(14,128)
Gross (loss) profit	(3,066)	1,395	(1,671)
Gross (loss) profit margin	(63.0)%	18.4%	(13.4)%

	Three months ended 31 March 2022		
	Printing business HK\$'000	Electric vehicle charging business HK\$'000	Total HK\$'000
Revenue	8,140	3,576	11,716
Cost of services	(10,318)	(3,166)	(13,484)
Gross (loss) profit	(2,178)	410	(1,768)
Gross (loss) profit margin	(26.8)%	11.5%	(15.1)%

The printing business recorded a gross loss of approximately HK\$3.1 million (2022: approximately HK\$2.2 million) and a gross loss margin of approximately 63.0% for the Period (2022: approximately 26.8%). The increase in gross loss margin of the printing business was mainly due to a decrease in its revenue and a disproportionate decrease in the cost of services.

In contrast, the electric vehicle charging business contributed a gross profit of approximately HK\$1.4 million (2022: approximately HK\$410,000) and recorded a gross profit margin of approximately 18.4% for the Period (2022: approximately 11.5%). The increase in gross profit margin of the electric vehicle charging business was mainly due to an increase in higher margin sales of electric vehicle charging systems during the Period.

As a result of the above, the Group's overall gross loss margin decreased from approximately 15.1% for the three months ended 31 March 2022 to approximately 13.4% for the Period mainly due to the positive impact from its electric vehicle charging business.

Other income

Our other income mainly represents government subsidies, interest income from bank deposits and sundry income.

Other income increased by approximately 4.1 times, from approximately HK\$134,000 for the three months ended 31 March 2022 to approximately HK\$679,000 for the Period, primarily attributable to subsidies received from the Hong Kong SAR Government under the Technology Voucher Programme.

Selling expenses

Our selling expenses refer to expenses incurred on a regular basis for the selling activities of our Group.

Selling expenses increased by approximately 120.7%, from approximately HK\$410,000 for the three months ended 31 March 2022 to approximately HK\$905,000 for the Period, primarily attributable to an increase in commission paid to the sales staff during the Period.

Administrative and other operating expenses

Our administrative and other operating expenses primarily comprise staff costs and benefits for our administrative staff, rental and rates for our office for financial printing services, depreciation, office expenses, directors' remuneration, repair and maintenance of our office premises, IT maintenance and others.

Administrative and other operating expenses increased by approximately 14.1%, from approximately HK\$17.7 million for the three months ended 31 March 2022 to approximately HK\$20.2 million for the Period. Such increase was in line with the increase in revenue.

Share-based payment expenses

Our share-based payment expenses represent equity settled share-based payments relating to share options granted by the Company.

Share-based payment expenses increased from approximately HK\$492,000 for the three months ended 31 March 2022 to approximately HK\$7.4 million for the Period. Such increase was primarily due to the grant of share options by the Company on 17 June 2022 and 17 November 2022.

Research and development expenses

Our research and development expenses mainly included staff costs, office rental and other material costs incurred for our internal projects.

Research and development expenses increased from HK\$270,000 for the three months ended 31 March 2022 to approximately HK\$281,000 for the Period.

Finance costs

Our finance costs mainly represent interests on bank borrowings and lease liabilities.

Finance costs increased by approximately 10.9%, from approximately HK\$659,000 for the three months ended 31 March 2022 to approximately HK\$731,000 for the Period, mainly attributable to the increase in interest incurred on bank borrowings as a result of an increase in loan amount.

Income tax credit

The Group's entities established in the Cayman Islands and the British Virgin Islands are exempted from income tax of the jurisdiction, respectively.

For the three months ended 31 March 2023, the assessable profits of one of the Hong Kong incorporated subsidiary of the Group (as elected by the management of the Group) is subject to the two-tiered profits tax rates regime, under which the first HK\$2 million of assessable profits will be taxed at 8.25% and assessable profits above HK\$2 million will be taxed at 16.5%. The Hong Kong Profits Tax of other Hong Kong incorporated subsidiaries of the Group is calculated at the standard tax rate of 16.5% of the respective estimated assessable profits for the Period (2022: 16.5%).

For the Period and the three months ended 31 March 2022, the Group recorded an income tax credit of approximately HK\$37,000 and HK\$218,000 respectively.

Loss and total comprehensive expense for the period

As a result of the foregoing, the Group recorded a loss and total comprehensive expense of approximately HK\$30.5 million for the Period (2022: approximately HK\$20.9 million).

EVENTS AFTER REPORTING PERIOD

No material subsequent event has occurred in relation to the Company or the Group after 31 March 2023 and up to the date of this report.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

During the Period, the Group did not have any significant investments, material acquisitions nor disposals of subsidiaries and affiliated companies.

SUBSCRIPTION OF NEW SHARES BY CONNECTED PERSON UNDER SPECIFIC MANDATE (THE “1ST SUBSCRIPTION”)

On 2 September 2022, the Company and Ms. Wu Yanyan (“Ms. Wu”), an executive Director, entered into a subscription agreement (the “1st Subscription Agreement”), pursuant to which Ms. Wu has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue and allot, an aggregate of 20,000,000 new ordinary shares at the subscription price of HK\$0.62 per subscription share. The closing price quoted on the Stock Exchange per ordinary share of the Company as at the date of the 1st Subscription Agreement was HK\$0.59.

As Ms. Wu is an executive Director and therefore a connected person of the Company under Chapter 20 of the GEM Listing Rules, the 1st Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders’ approval requirements under the GEM Listing Rules.

Completion of the 1st Subscription took place on 6 March 2023 upon which an aggregate of 20,000,000 subscription shares, with a total nominal value of HK\$200,000, had been issued and allotted to Ms. Wu at the subscription price of HK\$0.62 per subscription share pursuant to the terms and conditions of the 1st Subscription Agreement. The subscription shares were issued and allotted pursuant to the specific mandate approved by the independent shareholders at the Company's extraordinary general meeting held on 22 February 2023. The reason for issuing the subscription shares was that it would bring additional working capital and immediate funding for the Company's operations in the near future.

The gross proceeds and net proceeds from the 1st Subscription were approximately HK\$12.4 million and HK\$12.2 million respectively and the net issue price was approximately HK\$0.61 per subscription share. The net proceeds were applied to further develop the Group's electric vehicle charging business.

For details of the 1st Subscription, please refer to the announcements of the Company dated 5 September 2022 and 22 December 2022, and the circular of the Company dated 2 February 2023.

SUBSCRIPTIONS OF NEW SHARES BY CONNECTED PERSONS UNDER SPECIFIC MANDATE (THE "2ND SUBSCRIPTION")

On 7 December 2022, the Company and Mr. Wu Jianwei, Ms. Wu, Mr. Liang Zihao and Mr. Li Man Keung Edwin (the "Subscribers"), who are either an executive Director or a non-executive Director, entered into a subscription agreement (the "2nd Subscription Agreement"), pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to issue and allot, an aggregate of 35,200,000 new ordinary shares at the subscription price of HK\$1.144 per subscription share. The closing price quoted on the Stock Exchange per ordinary share of the Company as at the date of the 2nd Subscription Agreement was HK\$2.59. The Company intends to apply the net proceeds from the 2nd Subscription, which would amount to approximately HK\$40.1 million, to the Group's electric vehicle charging business.

As the Subscribers are Directors and therefore connected persons of the Company under Chapter 20 of the GEM Listing Rules, the 2nd Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

The subscription shares will be issued and allotted pursuant to the specific mandate approved by the independent shareholders at the Company's extraordinary general meeting held on 19 April 2023. As at the date of this report, completion of the 2nd Subscription does not take place.

For details of the 2nd Subscription, please refer to the announcements of the Company dated 7 December 2022, 18 January 2023 and 23 March 2023, and the circular of the Company dated 28 March 2023.

USE OF PROCEEDS

The following table sets forth the status of net proceeds from the fund-raising activities of the Company completed during the Period. There were no unutilised net proceeds brought forward as at 1 January 2023.

Fund-raising activity	Date of completion	Net proceeds raised (approximate)	Intended use of net proceeds	Actual use of net proceeds during the Period	Balance of net proceeds as at 31 March 2023
The 1 st Subscription	6 March 2023	HK\$12.2 million	<ul style="list-style-type: none"> - 80% for electric vehicle charging business development - 10% for upgrade and acquisition of new equipment, hardware and software - 10% for general corporate purposes 	Fully utilised in accordance with the intended use	Nil

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICE

The corporate governance practices of the Group are based on the principles and the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 15 to the GEM Listing Rules. During the Period, the Company had complied with all the applicable code provisions of the Code.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Standard of Dealings"), as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the Standard of Dealings from 1 January 2023 and up to the date of this report.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme"), the principal terms of which are summarised in the section headed "Appendix IV – Statutory and General Information – D. Share Option Scheme" in the prospectus of the Company dated 30 April 2018.

As at 31 March 2023, the number of share options outstanding was 80,952,000. The number of share options exercised and lapsed during the Period was 48,000 and 100,000 respectively. No share options were granted or cancelled during the Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "Directors' and chief executives' interest and/or short position in shares, underlying shares and debentures of the Company or any associated corporation" below and "Share option scheme" above, at no time during the Period was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Other than the 1st Subscription as disclosed in this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long position in the shares (the “Shares”) or underlying Shares of the Company

Name of Directors/ chief executives of the Company	Capacity	Number of Shares or underlying Shares held	Percentage of issued share capital
Mr. Wu Jianwei (“Mr. Wu”)	Beneficial owner/Interest of controlled corporation	259,795,225 (Note 1)	32.93%
	Beneficial owner	10,400,000 (Note 6)	1.32%
Mr. Liang Zihao (“Mr. Liang”)	Beneficial owner/Interest of controlled corporation	249,311,225 (Note 2)	31.60%
	Beneficial owner	10,400,000 (Note 6)	1.32%
Mr. Lau Wai Yan Lawson (“Mr. Lau”)	Beneficial owner/Interest of controlled corporation	30,302,703 (Note 3)	3.84%
	Beneficial owner	7,100,000 (Note 6)	0.90%
Mr. Pan Wenyuan (“Mr. Pan”)	Interest of controlled corporation	27,096,000 (Note 4)	3.43%
	Beneficial owner	6,000,000 (Note 6)	0.76%
Mr. Li Man Keung Edwin (“Mr. Li”)	Beneficial owner/Interest of controlled corporations	104,304,613 (Note 5)	13.22%
	Beneficial owner	10,400,000 (Note 6)	1.32%
Mr. Sam Weng Wa Michael	Beneficial owner	6,440,000 (Note 6)	0.82%
Ms. Wu Yanyan	Beneficial owner	44,750,000 (Note 7)	5.67%
Mr. Yeung Chun Yue David	Beneficial owner	6,000,000 (Note 6)	0.76%
Mr. Tam Ka Hei Raymond	Beneficial owner	1,040,000 (Note 6)	0.13%
Mr. Yuen Chun Fai	Beneficial owner	1,040,000 (Note 6)	0.13%
Ms. Zhu Xiaohui	Beneficial owner	1,040,000 (Note 6)	0.13%

Name of Directors/ chief executives of the Company	Capacity	Number of Shares or underlying Shares held	Percentage of issued share capital
Mr. Ko Shu Ki Kenneth	Beneficial owner	1,532,000 (Note 8)	0.19%
Mr. Yip Shiu Hong	Beneficial owner	5,997,905	0.76%
Mr. Ng Sze Chun	Beneficial owner	2,998,953	0.38%

Notes:

- 235,603,225 Shares are held by Global Fortune Global Limited ("Global Fortune") which is owned as to 51% by Mr. Wu. Mr. Wu is deemed to be interested in the Shares in which Global Fortune is interested under the SFO. Mr. Wu also directly holds 24,192,000 Shares.
- 235,603,225 Shares are held by Global Fortune which is owned as to 49% by Mr. Liang. Mr. Liang is deemed to be interested in the Shares in which Global Fortune is interested under the SFO. Mr. Liang also directly holds 13,708,000 Shares.
- 22,802,703 Shares are held by Cornerstone Wealth Holdings Limited ("Cornerstone Wealth") which is wholly owned by Mr. Lau. Mr. Lau is deemed to be interested in the Shares in which Cornerstone Wealth is interested under the SFO. Mr. Lau also directly holds 7,500,000 Shares.
- Mr. Pan owns 100% of the issued share capital of Silver Rocket Limited ("Silver Rocket"). Mr. Pan is deemed to be interested in the Shares in which Silver Rocket is interested under the SFO.
- 17,392,000 Shares and 81,000,000 Shares are held by Tanner Enterprises Group Limited ("Tanner Enterprises") and Glorytwin Limited ("Glorytwin") respectively. Mr. Li owns 100% of the issued share capital of Tanner Enterprises, which in turn owns 100% of the issued share capital of Glorytwin. Mr. Li is deemed to be interested in the Shares in which Tanner Enterprises and Glorytwin are interested under the SFO. Mr. Li also directly holds 5,912,613 Shares.
- These Shares represent the Shares which would be allotted and issued upon exercise in full of the share options granted to such Director under the Share Option Scheme.

7. 6,000,000 Shares of which represent the Shares which would be allotted and issued upon exercise in full of the share options granted to such Director under the Share Option Scheme.
8. 600,000 Shares of which represent the Shares which would be allotted and issued upon exercise in full of the share options granted to such Director under the Share Option Scheme.

Save as disclosed above, as at 31 March 2023, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2023, the interests and short positions of the substantial shareholders of the Company (other than the Directors and the chief executives of the Company) in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register to therein, were as follows:

Long positions in the shares or underlying shares of the Company

Name of substantial shareholders	Capacity	Number of Shares or underlying Shares held	Percentage of issued share capital
Global Fortune	Beneficial owner	235,603,225 (Note 1)	29.86%
Tanner Enterprises	Beneficial owner/Interest of controlled corporation	98,392,000 (Note 2)	12.47%
Glorytwin	Beneficial owner	81,000,000 (Note 2)	10.27%
Gateway Capital (Hong Kong) Limited	Investment manager	97,716,000 (Note 3)	12.38%
Gaw Growth Equity Fund I GP Limited	Interest of controlled corporation	97,716,000 (Note 3)	12.38%
Gaw Growth Equity Fund I, LPF	Interest of controlled corporation	97,716,000 (Note 3)	12.38%
Steady Flake Limited	Beneficial owner	97,716,000 (Note 3)	12.38%

Notes:

- Global Fortune is legally and beneficially owned as to 51% and 49% by Mr. Wu and Mr. Liang respectively. Therefore, by virtue of the SFO, Mr. Wu and Mr. Liang are deemed to be interested in all the Shares held by Global Fortune.
- Glorytwin is legally and beneficially owned as to 100% by Tanner Enterprises. Therefore, by virtue of the SFO, Tanner Enterprises is deemed to be interested in all the Shares held by Glorytwin.
- 85,000,000 Shares of which represent the Shares which would be allotted and issued upon exercise in full of the warrants granted by the Company.

Save as disclosed above, as at 31 March 2023, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

INTERESTS IN COMPETING BUSINESS

For the Period, none of the Directors or any of their respective close associates (as defined under the GEM Listing Rules) were engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor were they aware of any other conflicts of interest which any such persons had or may have with the Group.

AUDIT COMMITTEE

The Company established the Audit Committee on 19 April 2018 with written terms of reference in compliance with the code provisions of the Code. The primary duties of the Audit Committee are, among others, (i) to assist the Board in providing an independent view of the effectiveness of our Group's financial reporting process, internal control and risk management systems; (ii) to oversee the audit process; (iii) to make recommendations to the Board on the appointment and removal of external auditors; (iv) to monitor any continuing connected transaction; (v) to ensure the compliance with relevant laws and regulations and performance of the corporate governance functions delegated by the Board; and (vi) to perform other duties and responsibilities as assigned by the Board. The Audit Committee comprises of three independent non-executive Directors, namely Mr. Yuen Chun Fai (chairman of the Audit Committee), Mr. Tam Ka Hei Raymond and Ms. Zhu Xiaohui.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Period and is of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosures have been made in respect thereof.

BOARD OF DIRECTORS

As at the date of this report, the Directors are:

Executive Directors:

Mr. Liang Zihao (*Co-Chairman*)
Mr. Li Man Keung Edwin (*Vice Chairman*)
Mr. Sam Weng Wa Michael
Mr. Lau Wai Yan Lawson
Mr. Pan Wenyuan
Ms. Wu Yanyan
Mr. Yeung Chun Yue David

Non-executive Director:

Mr. Wu Jianwei (*Co-Chairman*)

Independent Non-Executive Directors:

Mr. Tam Ka Hei Raymond
Mr. Yuen Chun Fai
Ms. Zhu Xiaohui
Mr. Ko Shu Ki Kenneth

By Order of the Board
Cornerstone Technologies Holdings Limited
Liang Zihao
Co-Chairman and Executive Director

Hong Kong, 15 May 2023



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